

SMA AND NPA CLASSIFICATION NORMS

Pursuant to the Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025, standardization of accounts once classified as Non-Performing Asset (NPA) is as follows:

- A loan account that has any payment which is overdue for 90 days will be tagged as NPA at the day end process.
- An NPA account can be considered as standard only if the account holder clears all the pending overdue in full.
- Once any payment is due for 90 days, clearing partial dues will not help to upgrade the loan account as standard.

Explanation:

Date of overdue: The day after the due date of EMI.

Type of Classification:

- Standard Accounts
- Special Mention Account (SMA):
 - SMA 0: 0-30 days past the due date
 - SMA 1: 31-60 days past the due date
 - SMA 2: 61-89 days past the due date
- Non-Performing Asset (NPA): ≥ 90 days

Example:

If the due date of a loan account is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running the day-end process on April 30, 2021, i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2021. Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running the day-end process on May 30, 2021, and if continues to remain overdue further, it shall get classified as NPA upon running the day-end process on June 29, 2021 It is advised to clear all your overdue to avoid any legal action and to maintain a clean repayment record.